

Works Finance (NZ) Limited

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014



Works Finance (NZ) Limited

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For the year ended 30 June 2014

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Works Finance (NZ) Limited

Statutory Information

For the year ended 30 June 2014

Directors	Cornelus Wihelmus Bruyn Grant Anthony Fenn Roger William Jarrold Andrew Arthur William Titter Peter John Tompkins
Nature of Business	Issue of Redeemable Optionally Adjustable Distributing Securities ("ROADS"), and advances to Downer New Zealand Limited.
Holding Company	DGL Investments Limited
Ultimate Holding Company (of ordinary shares)	Downer EDI Limited (incorporated in Australia)
Auditors	Deloitte New Zealand
Solicitors	Kensington Swan
Bankers	ANZ Banking Group (New Zealand) Limited
Company Number	1909583 (New Zealand)
Registered Office	130 Kerrs Road Wiri Auckland 2104 New Zealand



Works Finance (NZ) Limited

Directors' Report

For the year ended 30 June 2014

The Directors are pleased to present the Annual Report of Works Finance (NZ) Limited for the year ended 30 June 2014 including the audited financial statements on pages 6 to 19.

Principal Activity

Works Finance (NZ) Limited, ('the Company'), is a subsidiary of Downer EDI Limited and was formed for the purpose of issuing Redeemable Optionally Adjustable Distributing Securities ('ROADS'). The proceeds were invested in Redeemable Preference Shares ("RPS") in Downer New Zealand Limited.

In July 2009 the Company issued \$150,000,000 unsubordinated, unsecured debt securities, ("Works Bonds"), with the proceeds being advanced to Downer EDI Group Finance (NZ) Limited on the same terms as the Works Bonds.

The proceeds from the ROADS and Works Bonds were advanced to other parts of the Downer Group to repay debt, reduce gearing levels and other general corporate purposes.

In April 2011 the Company redeemed its RPS investment in Downer New Zealand Limited. This was replaced by an advance of \$200,000,000 to Downer New Zealand Limited.

While Downer EDI Limited had a number of options available to it on the ROADS Step-up Date of 15 June 2012, it elected to leave the securities on issue and to step-up the margin in accordance with the terms of the "Prospectus and Investment Statement" dated 7 March 2007. The dividend rate was reset on 16 June 2014 to 7.95%, with the next reset being 15 June 2015.

On 17 September 2012, the Company repaid the Works Bonds and the related intercompany advances were repaid.

Dividends

During the year the following dividends were paid:

Date	Paid to holders of ROADS
16 September 2013	2,455,200
16 December 2013	2,455,200
17 March 2014	2,455,200
16 June 2014	2,455,201
Total	<u>\$9,820,801</u>

Imputation credits were attached to the dividends.

No dividends have been paid to the holders of ordinary shares during the year.

Interests Register

There were no entries in the Interests Register. Related party transactions are disclosed in Note 11.

Director Remuneration

No Director or former director received any remuneration or other benefits from the Company.

Employee Remuneration

Works Finance (NZ) Limited has no employees and accordingly no remuneration was paid.

Donations

Works Finance (NZ) Limited did not make any donations during the year (2013: nil).

Auditors

All year end audit fees and fees for the half year review were paid by the Company.


Financial Statements

The Board of Directors have approved and authorised the financial statements on pages 6 to 19.

For and on behalf of the Board

C W Bruyn
Director

27 August 2014


R W Jarrold
Director





**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
WORKS FINANCE (NZ) LIMITED**

Report on the Financial Statements

We have audited the financial statements of Works Finance (NZ) Limited on pages 6 to 19, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor and the provision of taxation compliance services, we have no relationship with or interests in Works Finance (NZ) Limited. These services have not impaired our independence as auditors of Works Finance (NZ) Limited.

Opinion

In our opinion, the financial statements on pages 6 to 19:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Works Finance (NZ) Limited as at 30 June 2014, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Works Finance (NZ) Limited as far as appears from our examination of those records.

Chartered Accountants
27 August 2014
Auckland, New Zealand

This audit report relates to the financial statements of Works Finance (NZ) Limited for the year ended 30 June 2014 included on Works Finance (NZ) Limited's website. The Board of Directors are responsible for the maintenance and integrity of Works Finance (NZ) Limited's website. We have not been engaged to report on the integrity of the Works Finance (NZ) Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 August 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Works Finance (NZ) Limited

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Interest received	2	14,192,723	22,070,638
Total revenue from Continuing Operations		<u>14,192,723</u>	<u>22,070,638</u>
Operating expenses		61,108	72,893
Interest paid to Works Bond holders		-	3,015,630
Total expenses		<u>61,108</u>	<u>3,088,523</u>
Profit before income tax expense		<u>14,131,615</u>	<u>18,982,115</u>
Income tax expense	4	3,960,507	5,320,398
Profit after tax and total comprehensive income attributable to members of the entity		<u><u>10,171,108</u></u>	<u><u>13,661,717</u></u>

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 19.



Works Finance (NZ) Limited

Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital \$	ROADS \$	Retained earnings \$	Total \$
Balance at 30 June 2012	100	200,000,000	482,426	200,482,526
Profit for the year	-	-	13,661,717	13,661,717
Total profit after tax and total comprehensive income for the period	-	-	13,661,717	13,661,717
Dividends paid: - ROADS	-	-	(9,504,000)	(9,504,000)
Total dividends paid	-	-	(9,504,000)	(9,504,000)
Balance at 30 June 2013	100	200,000,000	4,640,143	204,640,243
Profit for the year	-	-	10,171,108	10,171,108
Total profit after tax and total comprehensive income for the period	-	-	10,171,108	10,171,108
Dividends paid: - ROADS	-	-	(9,820,801)	(9,820,801)
Total dividends paid	-	-	(9,820,801)	(9,820,801)
Balance at 30 June 2014	100	200,000,000	4,990,450	204,990,550

Deloitte.
For
identification

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 19.

Works Finance (NZ) Limited

Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Advances:			
Downer New Zealand Limited	11	6,482,590	6,392,380
Total Current Assets		<u>6,482,590</u>	<u>6,392,380</u>
Non Current Assets			
Advances:			
Downer New Zealand Limited	7	200,000,000	200,000,000
Total Non Current Assets		<u>200,000,000</u>	<u>200,000,000</u>
Total Assets		<u>206,482,590</u>	<u>206,392,380</u>
Current Liabilities			
Bank overdraft		143,957	138,599
Trade and other payables		22,500	22,750
Income tax payable		1,325,583	1,590,788
Total Current Liabilities		<u>1,492,040</u>	<u>1,752,137</u>
Total Liabilities		<u>1,492,040</u>	<u>1,752,137</u>
Net Assets		<u>204,990,550</u>	<u>204,640,243</u>
Equity			
Ordinary shares	9	100	100
ROADS	10	200,000,000	200,000,000
Retained earnings		4,990,450	4,640,143
Total Deemed Equity		<u>204,990,550</u>	<u>204,640,243</u>

Authorised on behalf of the Works Finance (NZ) Limited Board of Directors on 27 August 2014.

C W Bruyn
Director

R W Jarrold
Director



These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 19.

Works Finance (NZ) Limited

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		14,039,999	22,029,502
Interest paid to Works Bond holders		-	(3,015,630)
Subvention received		3,759	10,906
Income tax payment		(4,229,470)	(5,129,610)
Payments to suppliers		(61,359)	(62,300)
Net cash generated by operating activities	5	<u>9,752,929</u>	<u>13,832,869</u>
Cash flows from investing activities			
Advances (to)/from Downer New Zealand Limited		62,514	(4,471,521)
Repayment of advance from Downer EDI Group Finance (NZ) Limited		-	150,000,000
Net cash used in investing activities		<u>62,514</u>	<u>145,528,479</u>
Cash flows from financing activities			
Dividends paid on ROADS		(9,820,801)	(9,504,000)
Repayment of Works Bonds		-	(150,000,000)
Net cash used in financing activities		<u>(9,820,801)</u>	<u>(159,504,000)</u>
Net decrease in cash and cash equivalents		(5,358)	(142,652)
Cash and cash equivalents/(bank overdraft) at the beginning of the year		(138,599)	4,052
Bank overdraft at the end of the year		<u>(143,957)</u>	<u>(138,599)</u>



These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 19.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

1 Summary of Accounting Policies

Statement of compliance

Works Finance (NZ) Limited (the Company) is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand equivalents to the International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate, for profit-oriented entities. Works Finance (NZ) Limited is a profit-oriented entity. The financial statements comply with International Financial Reporting Standards ('IFRS').

The Company was incorporated in New Zealand on 16 February 2007 and is domiciled in New Zealand.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the valuation of certain investments, as disclosed below. Cost is based on the fair values of the consideration given in exchange of assets. The functional and presentation currency is New Zealand dollars.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgements and associated assumptions are based on the historical experience of management and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these assumptions. The underlying assumptions are reviewed on an on-going basis.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates, with a significant risk of material adjustments in the next year, are disclosed, where applicable, in the relevant notes to the financial statements.

There are new standards and changes to existing standards which have not been implemented as they are not yet effective. These standards and amendments are not expected to have an impact on the Company.

Significant accounting policies

The classification of the ROADS as equity rather than as debt is deemed by the directors to be a significant accounting policy and an area of significant judgement. The Company has taken into account the key features of the ROADS, including the dividend stopper mechanism and the fact that the shares do not have to be redeemed, in arriving at this classification.

Standards and interpretations effective in the current year

The Company adopted all mandatory new and amended standards and interpretations. None of these standards and interpretations had a material impact on the financial statements.

There are a number of other new and revised standards and interpretations that are not effective yet. In particular, NZ IFRS 9 Financial Instruments, which is effective for periods beginning 1 January 2017, which may impact the Company but has not yet been assessed. All other changes are not expected to have a significant impact on the Company.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

1 Summary of Accounting Policies

Dividend Revenue

Dividend revenue is recognised on a receivable basis, when the shareholders' right to receive payment is established.

Interest Income and expense

Interest income and expense is recognised using the effective interest rate method.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as a distribution of profit, consistent with the statement of financial position classification of the related debt or equity instruments.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences, or unused tax losses and tax offsets, can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income.

Goods and services tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

1 Summary of Accounting Policies

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities: are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Change in Accounting Policies

There have been no changes in accounting policies during the year and all policies have been applied on a consistent basis.



A handwritten signature in blue ink, consisting of a stylized, cursive letter 'S'.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

2 Interest Received

	2014 \$	2013 \$
Interest received from Downer EDI Group Finance (NZ) Limited	-	3,015,625
Interest received from Downer New Zealand Limited	14,192,723	18,989,628
Interest received from Downer Group Finance International Pty Limited - NZ Branch	-	62,367
Other interest received	-	3,018
	<u>14,192,723</u>	<u>22,070,638</u>

3 Operating Expenses

Operating expenses includes the following items:

Remuneration of auditors

Deloitte New Zealand - Half year review	12,500	12,500
Deloitte New Zealand - Audit of the financial report	22,500	22,500
Grant Thornton - Audit of the compliance of the register of preference shares	1,820	1,775

Deloitte New Zealand performs tax compliance services for Works Finance (NZ) Limited. The fee for the services is \$10,000 (2013: \$10,000), which is paid by Downer New Zealand Limited.

4 Income Taxes

(a) Reconciliation from pre-tax accounting profit to tax expense

Income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense as follows:

Profit from operations	14,131,615	18,982,115
Income tax expense calculated at 28% (2013: 28%)	3,956,852	5,314,992
Non deductible expenses	5,398	5,406
Over provision from prior year	(1,743)	-
	<u>3,960,507</u>	<u>5,320,398</u>

(b) Imputation credit account balances

Balance at end of the year	<u>1,784,613</u>	<u>1,645,321</u>
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5 Net cash flow from operating activities

Profit for the year	10,171,108	13,661,717
Movements in working capital		
Increase/(decrease) in income tax payable	(265,205)	201,694
Increase/(decrease) in trade and other payables	(250)	10,594
Deduct items reclassified as investing activities	(152,724)	(41,136)
Net cash generated by operating activities	<u>9,752,929</u>	<u>13,832,869</u>

6 Advance - Downer EDI Group Finance (NZ) Limited

The Company advanced \$150,000,000 to Downer EDI Group Finance (NZ) Limited under a loan agreement dated 13 July 2009. The terms of the loan were the same as the Works Bonds with the same interest rate and maturity date (refer Note 8). This advance matured on 15 September 2012 and was repaid on 17 September 2012. The proceeds from the repayment of this advance were then used to repay the Works Bonds.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

7 Advance - Downer New Zealand Limited

The Company has advanced \$200,000,000 to Downer New Zealand Limited under a loan agreement dated 21 April 2011. The advance is repayable on demand, however it has been provided in line with the terms of ROADS. ROADS were stepped up on 15 June 2012, which keeps the existing ROADS instrument in place with revised pricing. Downer EDI Limited and the Company have provided confirmation to Downer New Zealand that neither they, nor their subsidiaries will take any action to demand or effect repayment of the loan during the period to 1 July 2015.

The interest rate is to be agreed in writing between the parties from time to time. The initial rate of interest was set at 10% per annum. In April 2013 it was agreed to reset this to the ROADS gross dividend rate plus a margin of 0.20%. The interest rate from 1 May 2013 to 15 June 2013 was 6.80%, 15 June 2013 to 15 June 2014 7.02% and from 15 June 2014 to the next reset date on 15 June 2015, 8.15% per annum.

Interest is paid monthly in arrears.

8 WORKS BONDS

The Company issued 150,000,000 (at nominal value of \$1) unsubordinated, unsecured debt securities on 14th July 2009 called "Works Bonds". The bonds matured on 15th September 2012 and were repaid on 17 September 2012, being the following working day. The interest rate on the bonds was 9.65% per annum with interest payable on 15 December, 15 March, 15 June and 15 September each year.

The Works Bonds carried an investment grade credit rating from Fitch Ratings of BBB- with a stable outlook. The rating was based on the Works Bonds being guaranteed by Downer EDI Limited and its subsidiaries representing at least 90% of the Consolidated Group EBIT and Consolidated Group Total Tangible Assets.

Works Bonds were debt securities and the bond holders had no right to receive notice of, attend or vote at meetings of shareholders. Works Bonds constituted unsecured and unsubordinated obligations of the Company, and ranked equally with each other and also ranked at least equally with all other unsecured and unsubordinated indebtedness of the Company, except indebtedness preferred by law.

Transaction costs in connection with the issue of Works Bonds were borne by other Downer EDI Limited group companies.

9 Ordinary Share Capital

The Company has 100 fully paid ordinary shares on issue with a nominal value of \$1 each. All ordinary shares carry equal rights in respect of voting, dividend payments and any surplus on winding up of the Company.

10 ROADS

The Company has issued 200,000,000 fully paid Redeemable Optionally Adjustable Distributing Securities (ROADS) with a nominal value of \$1 each.

The ROADS offer quarterly, fixed rate, discretionary, non-cumulative dividends. Dividends are payable on 15 September, 15 December, 15 March and 15 June each year. Dividends are also payable on the date of redemption, repurchase, resale or exchange. Until the step-up date of 15 June 2012, (Step-up Date) dividends were fixed at 9.8% inclusive of imputation credits. This was based on the five year swap rate at the time, plus a margin of 2.05% per annum.

On the Step-up Date, the Company elected not to redeem any ROADS. The dividend rate on the ROADS is reset on 15 June each year and is equal to the one year swap rate on the reset date, plus a margin of 4.05% per annum, payable quarterly in arrears.

For the period 15 June 2012 to 15 June 2013 the gross dividend rate was set at 6.60% per annum and for the period 15 June 2013 to 15 June 2014 6.82% per annum. The gross dividend rate from 15 June 2014 to the next reset date on 15 June 2015 is 7.95%.

It is possible that dividends will not be paid. Dividends will not be paid if the Directors of the Company or Downer EDI Limited determine that a dividend is not payable. Dividends are non-cumulative, which means that if a dividend is not paid, it does not accumulate and may never be paid.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

10 ROADS (continued)

Each ROADS confers on its holder:

- An equal right to payment of the issue price of \$1 in a liquidation of the Company between other holders of ROADS and holders of any other class of securities ranking equally with ROADS; and
- The right to payment of the issue price in a liquidation of the Company in priority to any other class of shares other than any preference shares ranking equally with ROADS.

The ROADS rank for payment in a liquidation of the Company after all creditors of the Company.

The Company may elect to redeem or exchange:

- All or some ROADS on any dividend payment date;
- All (but not some) ROADS at any time, if certain specified events occur, including regulatory or legal changes which could lead to the Company or Group being exposed to significantly increased costs, or in the event of an acquisition of 50% or more of Downer EDI ordinary shares;
- All or some ROADS on any dividend payment date after an acquisition of 50% or more of the Downer EDI ordinary shares has occurred; and/or
- All (but not some) ROADS at any time, if there is less than 50 million ROADS on issue.

If any ROADS are to be redeemed, the Company must pay to the holder in respect of each relevant ROADS an amount equal to the issue price.

If any ROADS are to be exchanged, the Company will request Downer EDI Limited to purchase those ROADS for a consideration consisting of ordinary shares and, if Downer EDI Limited agrees to do so, holders are required to transfer the relevant ROADS to Downer EDI Limited and Downer EDI Limited will issue to the relevant holders a number of ordinary shares at a 2.5% discount to the weighted average sale price of ordinary shares traded on the ASX during the 20 business days immediately preceding the date of exchange.

Holders of ROADS cannot request redemption or exchange in any circumstances. Holders have no right to receive notice of, attend or vote at meetings of shareholders of the Company, other than in respect of a proposal to amend or vary the terms of the ROADS to the detriment of a holder, or that otherwise affects any right attached to ROADS to the detriment of a holder. The full terms of the ROADS are set out in Appendix 1 to the Constitution of the Company. Transaction costs in connection with the issue of the ROADS were borne by Downer EDI Limited. The dividends paid in the year, gross of imputation credits, totalled \$13.6 million (2013: \$13.2 million), being 6.82c per share (2013: 6.6c per share).

There were no changes to the number of ordinary shares or ROADS on issue during the period.

11 Related Parties

The Company's ordinary shares are wholly owned by DGL Investments Limited. The ordinary shares were previously wholly owned by Downer EDI Group Finance (NZ) Limited. Downer EDI Group Finance (NZ) Limited amalgamated with DGL Investments Limited on 15 April 2013. The ultimate parent company is Downer EDI Limited, a company listed on the Australian Stock Exchange with a secondary listing on the NZDX.

The Company has advanced a loan to Downer New Zealand Limited, a fellow subsidiary, and receives interest as described in Note 7 to these financial statements. Some transaction costs associated with the issue of ROADS were met by Downer EDI Limited. Under a Deed Poll entered into, Downer EDI Limited guarantees the payment by the Company of dividends on ROADS and of amounts payable on redemption of ROADS on an unsecured and subordinated basis.

The Directors of the Company or Downer EDI Limited may at any time determine that a dividend is not payable. If the Directors of the Company or Downer EDI Limited determine that a dividend is not payable, the relevant amount will not become payable by the Company and the guarantee by Downer EDI Limited will not apply. Accordingly, the guarantee will be effective only if the directors of the Company (and in the case of a dividend, Downer EDI Limited) at their discretion determine that payment should be made, but payment is not then made by the Company. As the guarantee is subordinated, the claims of holders under the guarantee rank behind the claims of all creditors of Downer EDI Limited.

The Company advanced money to Downer EDI Group Finance (NZ) Limited on the same terms as the Works Bonds. Both the advance to Downer EDI Group Finance (NZ) Limited and the Works Bonds were repaid on 17 September 2012.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

11 Related Parties (continued)

	2014 \$	2013 \$
Advances to related parties		
Downer New Zealand Limited - current account	6,482,590	6,392,380
Downer New Zealand Limited (Note 7)	200,000,000	200,000,000

The Downer New Zealand Limited current account is unsecured and repayable on demand. Interest has been accrued at an average of 2.7% (2013: 2.4%) per annum.

Transactions

Downer Group Finance International Pty Limited - NZ Branch

Interest received	-	62,367
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Downer EDI Group Finance (NZ) Limited (Note 2,6)

Interest received	-	3,015,625
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Downer New Zealand Limited (Note 2,7)

Interest received	14,192,723	18,989,628
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The following Directors of the Company were also Directors of Downer EDI Group Finance (NZ) Limited.

Cornelus Wihelmus Bruyn
Andrew Arthur William Titter
Grant Anthony Fenn
Peter John Tompkins
Roger William Jarrold

All the Directors except Andrew Arthur William Titter are also Directors of DGL Investments Limited and Downer New Zealand Limited.

Key management personnel did not receive any compensation from the Company during the year (2013: nil).

12 Segmental Information

The only business of the Company is the issue of ROADS to predominantly New Zealand residents and advances to Downer New Zealand Limited.

13 Contingent liabilities

The Company has no contingent liabilities.

14 Capital and lease commitments

The Company has no capital or lease commitments as at 30 June 2014 (2013: nil).

15 Subsequent events

On the 12 June 2014 the New Zealand Government signed an agreement with the Government of the United States of America to improve international tax compliance and to implement FATCA. Under the agreement, New Zealand Financial Institutions have until 31 December 2014 to register with the United States Inland Revenue Service (US IRS). The Company is considered to be a Financial Institution and is in the process of registering with the US IRS which is not expected to create any additional material costs or reporting obligations.

On 18 August 2014, the Directors approved the payment of a fully imputed dividend of \$3,975,000 comprising a cash dividend of \$2,862,000 (1.4310 cents per ROADS security) and imputation credits of \$1,113,000 (0.5565 cents per ROADS security) to be paid on 15 September 2014.

There are no other subsequent events.

Deloitte.
For
Identification

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

16 Financial Instruments

Financial instruments carried in the statement of financial position include bank balances, investments, receivables bonds, payables and accruals.

As at 30 June 2014, the carrying amounts and fair values of investments, bank balances, receivables, payables and accruals were the same.

The Company was established by Downer EDI Limited for the purpose of issuing ROADS, and as such its exposure to liquidity risk and interest rate risk is managed by being passed back to other group companies through issuing intra-group loan advances with similar terms to those issued by the Company.

The most significant concentration of credit risk of the Company as at 30 June 2014 comprises the advance to Downer New Zealand Limited of \$200,000,000. This is expected to have a similar credit risk profile as Downer EDI Limited. Downer EDI Limited has a long-term issuer default rating of BBB (outlook stable) issued by Fitch Ratings. This rating was affirmed on 16 June 2014. Issues rated BBB- or above (or the equivalent by other rating agencies) are described as "Investment Grade".

The maximum exposure to credit risk is the carrying amount of the Company's financial assets.

The Company is not directly exposed to foreign currency risk.

99.3% of ROADS holders are domiciled in New Zealand.



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

16 Financial Instruments (continued)

Categories of Financial Instruments

The following material financial assets and liabilities, that potentially subject the Company to financial risk have been recognised in the financial statements:

	Loans and Receivables	Financial liabilities at amortised cost	Total
	\$	\$	\$
As at 30 June 2014			
Assets			
Advances to related parties	206,482,590	-	206,482,590
Total financial assets	206,482,590	-	206,482,590
Non-financial assets			-
Total assets			206,482,590
Liabilities			
Bank Overdraft	-	143,957	143,957
Trade and other payables	-	22,500	22,500
Total financial liabilities	-	166,457	166,457
Non-financial liabilities			1,325,583
Total liabilities			1,492,040
As at 30 June 2013			
Assets			
Advances to related parties	206,392,380	-	206,392,380
Total financial assets	206,392,380	-	206,392,380
Non-financial assets			-
Total assets			206,392,380
Liabilities			
Bank Overdraft	-	138,599	138,599
Trade and other payables	-	22,750	22,750
Total financial liabilities	-	161,349	161,349
Non-financial liabilities			1,590,788
Total liabilities			1,752,137



Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2014

16 Financial Instruments (continued)

Liquidity risk management

Liquidity risk arises from the possibility that the Company is unable to settle a transaction on the due date. The ultimate liquidity risk management rests with the Board of Directors, who have built an appropriate risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

Liquidity risk tables

The following table details the Company's contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on contractual maturities. The tables include both interest and principal cash flows.

	Less than 1 Year \$	1 to 2 years \$	2 to 3 years \$	No Contractual Maturity \$
As at 30 June 2014				
Assets				
Advances:				
Downer New Zealand Limited	22,782,590	16,300,000	16,300,000	200,000,000
Liabilities				
Bank Overdraft	(143,957)	-	-	-
Trade and other payables	(22,500)	-	-	-
	22,616,133	16,300,000	16,300,000	200,000,000
As at 30 June 2013				
Assets				
Advances:				
Downer New Zealand Limited	20,432,380	14,040,000	14,040,000	200,000,000
Liabilities				
Bank Overdraft	(138,599)	-	-	-
Trade and other payables	(22,750)	-	-	-
	20,271,031	14,040,000	14,040,000	200,000,000

As disclosed in Note 7, the advance to Downer New Zealand Limited has been provided in line with the ROADS perpetual securities.

17 Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2013.

The capital structure of the Company consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and ROADS as disclosed in Note 9 and 10 respectively and retained earnings.

Deloitte.
For
Identification

Works Finance (NZ) Limited

Other Information

For the year ended 30 June 2014

Twenty Largest Shareholders

The names and holdings of the 20 largest holders of ROADS in Works Finance (NZ) Limited as at 31 July 2014 are provided below:

Custodial Services Limited	13,787,627
Investment Custodial Services Limited	10,703,235
FNZ Custodians Limited	7,368,169
Forsyth Barr Custodians Limited	10,413,599
Custodial Services Limited	4,550,000
Forsyth Barr Custodians Limited	3,610,334
Masfen Securities Limited	5,847,000
Custodial Services Limited	7,371,700
Tea Custodians Limited	4,154,600
Custodial Services Limited	3,957,300
Forsyth Barr Custodians Limited	8,151,690
FNZ Custodians Limited	1,709,000
Private Nominees Limited	1,015,000
Forsyth Barr Custodians Limited	1,386,000
Custodial Services Limited	1,054,000
Keith Ian Ronald Matheson & Clive Rowan Jackson	630,000
Fletcher Building Educational Fund Limited	500,000
Gem Limited	500,000
Jarden Custodians Limited	500,000
Oakwood Securities Limited	500,000

Spread of Shareholders

Details of the spread of holders of ROADS as at 31 July 2014 are provided below:

Country	Holders	Holding
New Zealand	3,940	199,627,000
Australia	15	238,500
Other	13	134,500
	3,968	200,000,000

Range	Holders	Holding
2,000 to 4,999	86	277,721
5,000 to 9,999	456	2,627,893
10,000 to 49,999	2,696	53,652,872
50,000 to 99,999	525	29,060,200
100,000 to 499,999	186	25,867,727
500,000 to 999,999	5	2,630,000
1,000,000 and above	14	85,883,587
	3,968	200,000,000

Works Finance (NZ) Limited

Other Information

For the year ended 30 June 2014

Waivers

The NZX has ruled that the ROADS are not Equity Securities as defined in, and for the purpose of, the NZDX Listing Rules.

The NZX granted a waiver on 7 March 2007 relating to the minimum subscription amount for applications in respect of the offer of ROADS.

Corporate Governance

Works Finance (NZ) Limited is a subsidiary of Downer EDI Limited, a company listed on the Australian Stock Exchange.

Works Finance (NZ) Limited does not have any specific policies, practices or processes in respect of its corporate governance. However, where relevant, Works Finance (NZ) Limited, as a member of the Downer Group, is subject to the corporate governance policies of Downer EDI Limited.

The corporate governance policies of Downer EDI Limited are set out in its Annual Report which is prepared in accordance with the requirements of the ASX Listing Rules. The corporate governance policies and annual report of Downer EDI Limited are also available on its website at www.downeredi.com.au.

The corporate governance policies of Downer EDI Limited, as set out in its annual report dated 30 June 2014, do not materially differ from the Corporate Governance Best Practice Code.

Independent Directors

All of the Directors of Works Finance (NZ) Limited are employees of Downer EDI Limited and its subsidiaries, and accordingly are not independent.



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